

# **PROPERTY TAX EXEMPTION FOR GEOTHERMAL HEATING OR COOLING SYSTEMS**

## **Prior Law**

---

Under prior law, the value added to residential property from any new construction or refitted installation of geothermal heating or cooling system was subject to property tax.

## **New Provisions**

---

For any new construction or refitted installation of geothermal heating or cooling systems occurring on or after July 1, 2012 on residential property, the value added to the property by the construction or installation is exempt from property tax. The taxpayer should file the exemption claim with the assessor no later than February 1 of the first assessment year the exemption is requested. Once the exemption is allowed, the exemption will continue for ten consecutive years without the need for further filing the claim, until the property ceases to be classified as residential, or until the geothermal system ceases to exist, whichever occurs first. Taxpayers do not lose the right to the exemption if they fail to claim the exemption in the year directly following the year the geothermal system was completed.

The value added is the value that would not have been included in the home, if not for the construction or refit installation of the geothermal heating and cooling system.

To measure the value added by a geothermal heating and cooling system, the assessor should compute the difference between the assessed value of the residential property if the property were outfitted with a non-geothermal heating and cooling system and the assessed value of the property outfitted with the geothermal system. In the case that the new construction or refit installation takes more than one year, the assessor should make the comparison in the year the new construction or refit installation is completed.

Cost of the new construction or refit installation of the geothermal heating or cooling system is not determinative of the value added to a property.

Iowa Code section 25B.7 (relating to funding of property tax credits and exemptions by the state) does not apply to this newly enacted property tax exemption.

## **Section Amended**

---

Section 2 of 2012 Iowa Acts Senate File 2342 amends section 427.1, Code Supplement 2011, by adding new subsection 38.

## **Effective Date**

---

May 25, 2012 for assessment years beginning on or after January 1, 2013.